
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The Company plans to develop and mine its coking and thermal coal resources in Mongolia's South Gobi Province, and to become a leading supplier of coal products to customers in China. Key elements in the success of the Company's plan are to continue to expand production at the Ovoot Tolgoi Mine and to develop first the Soumber Deposit followed by the Ovoot Tolgoi Underground Deposit. Norwest, our Independent Technical Expert, considers it possible that our total coal production from the Ovoot Tolgoi Mine could increase to approximately eight million tonnes per annum from 2012 and onward. We estimate that aggregate capital expenditures in relation to this production ramp-up will be US\$140 million up to the end of 2012. We estimate that capital expenditure will be US\$79 million in 2010, US\$41.7 million in 2011 and US\$19.3 million in 2012. The US\$79 million capital expenditure estimate for 2010 relates entirely to the Ovoot Tolgoi Mine. In addition to the capital expenditures above, we budget that the exploration expenditures for 2010 will be US\$7.6 million for the Soumber Deposit, US\$3.9 million for the Ovoot Tolgoi Mine and US\$1.8 million for the Ovoot Tolgoi Underground Deposit. For further details of the Company's funding requirements and cash flow estimates for the Ovoot Tolgoi Mine, please see "Financial Information — Economic Analysis of the Ovoot Tolgoi Mine".

The Company's plans in 2010 will focus on the following areas:

Expand production capabilities of the Ovoot Tolgoi Mine

The immediate priority at the Ovoot Tolgoi Mine is the integration of the Company's second equipment fleet to support expansion of production from the Ovoot Tolgoi Mine. The Company also plans to investigate the feasibility of constructing a railway line from the mine site to the Shivee Khuren — Ceke border crossing.

The Company expects that if all of the local mining companies in the Omnigovi Aimag (South Gobi Province) region of Mongolia develop their coal mine operations, the road network to the PRC border will likely become congested. We are currently studying the feasibility of building a paved road from our Ovoot Tolgoi Complex to the Mongolian border with China. Since December 2008 we have engaged in various levels of discussion with railway contractors regarding the possibility of developing a coal railway from the Ovoot Tolgoi Mine to the Mongolia border with China. The Company has not made a decision to proceed with this project or estimated the capital expenditures required to construct a railway.

Advance the Soumber Deposit and the Ovoot Tolgoi Underground Deposit

The Company continues to drill the Soumber Deposit and the Ovoot Tolgoi Underground Deposit to further expand and confirm their respective mineral resource estimates with a view to their eventual development as mines. The Company has conducted washability testing, the results of which are being analysed as part of a scoping study to consider construction of a coal wash plant. The plant would help to lower impurities, which may enable us to achieve a higher selling price for our products.

Continue to explore and develop other resource assets in Mongolia

Leveraging the Company's competitive advantages, the Company intends to continue to develop its resource base through exploration and drilling at its current projects and to identify key exploration prospects for future development.

The Company's primary exploration targets are around the Ovoot Tolgoi Mine and the Soumber Deposit with minimal exploration targets around the Tsagaan Tolgoi Deposit. The Soumber Deposit has potential to increase coal resources to the east and to the west, as well as at depth. The west part of the Ovoot Tolgoi Mine merits additional

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exploration and has good potential to increase coal resources. In addition, there is potential to increase coal resources from our other exploration properties and to discover other prospective coal occurrences.

USE OF PROCEEDS

Assuming a maximum Offer Price of HK\$133.50, we estimate net proceeds to the Company from the International Offering will be approximately HK\$2,932 million, before exercise of the Over-allotment Option (assuming no reallocation between the International Placing and the Canadian Offering as described in the section headed “Structure of the International Offering — Pricing and Allocation”) and after deducting the underwriting commissions (exclusive of any discretionary incentive fees) and other estimated expenses payable by us in relation to the International Offering assuming pro rata allocation of underwriting commissions (exclusive of any discretionary incentive fees) and other estimated expenses between the International Offering and the Canadian Offering. If the Over-allotment Option is exercised in full (assuming no reallocation between the International Placing and the Canadian Offering as described in the section headed “Structure of the International Offering — Pricing and Allocation”), the net proceeds to us will be approximately HK\$3,392 million. Assuming a maximum Canadian Offer Price of C\$17.00, we estimate net proceeds to the Company from the Canadian Offering will be approximately C\$66 million, before exercise of the Canadian Over-allotment Option (assuming no reallocation between the International Placing and the Canadian Offering as described in the section headed “Structure of the International Offering — Pricing and Allocation”) and after deducting the underwriting commissions (exclusive of any discretionary incentive fees) and other estimated expenses payable by us in relation to the Canadian Offering. If the Canadian Over-allotment Option is exercised in full (assuming no reallocation between the International Placing and the Canadian Offering as described in the section headed “Structure of the International Offering — Pricing and Allocation”), the net proceeds to us will be approximately C\$76 million assuming pro rata allocation of underwriting commissions (exclusive of any discretionary incentive fees) and other estimated expenses between the International Offering and the Canadian Offering. We intend to use the net proceeds from the Offerings as follows:

- up to 35% to expand the existing production capacity of the open pit mine at the Ovoot Tolgoi Mine in line with our intention to continue to ramp up production at the Ovoot Tolgoi Mine and the development of specifically related projects such as expansion of maintenance facilities and employee housing. Norwest, our Independent Technical Expert, considers it possible that our total coal production from the Ovoot Tolgoi Mine could increase to approximately eight million tonnes per annum from 2012 and onward;
- up to 25% to assess, construct and develop the regional infrastructure and the coal transportation infrastructure including the construction of roads and railway infrastructure from the Ovoot Tolgoi Complex to locations where such infrastructure can be connected to China’s infrastructure for export facilitation. Depending on the outcome of such assessment, we will consider implementing and funding appropriate recommendations. We, through CRCC, have conducted a scoping study on the railway construction project and intends to further investigate the opportunities to develop this project as discussed in “Business — Our Mining and Exploration Operations — Infrastructure” We currently intend to use this portion of the proceeds to develop railway infrastructure, possibly through a joint venture arrangement, as described in “Business — Our Mining and Exploration Operations — Infrastructure.” To date we have not appointed any joint venture partners, and no investments have been made in such joint ventures to date, nor have we sought any applicable government approvals or consents, as the proposal remains in a preliminary stage. We will make an appropriate announcement providing further details at the time a joint venture agreement, if any, is entered into. However, in the

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event that we decide not to proceed with the development of railway infrastructure, or if this development is delayed, such proceeds would be utilised for other regional or transportation infrastructure such as roads;

- up to 20%, subject to completion of technical and engineering assessment, for construction of value added facilities such as the construction of a coal handling and washing plant;
- up to 15%, for exploration activities, including at the Soumber Deposit and in the Alphabet Fields to the east and to the west of the Ovoot Tolgoi Mine, which will include geological, geotechnical and hydrological surveying and investigation of the areas surrounding our existing deposits together with additional key exploration target areas; and
- the balance of the net proceeds and the proceeds from any exercise of the Over-allotment Options, for general corporate purposes, which may include provision of working capital and general exploration, development and acquisition activities.

We currently have no agreements to make specific acquisitions or have no defined intention to develop projects or conduct exploration other than disclosed in this prospectus. We intend to analyse and consider potential acquisitions in the future that may fit with our expertise. We will consider acquiring projects in Mongolia, where we have significant operating expertise. We may also consider investing in projects that are outside of Mongolia, such projects will likely be focused on coal.

We may obtain funding for the above activities from sources other than the Offerings, including an additional offering of Shares in Canada. The Company may also use funding from equity financing, credit facilities, earn-in agreements and profits from the Company's coal operations for the provision of working capital and general exploration, development and acquisition activities. Based on proceeds from CIC and from the Offerings, the Company does not anticipate any additional funding requirements in the near future.

In the event that the Offer Price is set below the maximum Offer Price, the Company currently intends to reduce the dollar value of net proceeds allocated for project development, acquisitions and exploration activities, by the difference between the net proceeds received by the Company based on the maximum Offer Price and the Offer Price. In determining the Offer Price, the Directors and the Joint Global Coordinators, on behalf of the Underwriters, will take into consideration the demand for the International Offering, the closing price of the Shares on the TSX on the last trading day on the Price Determination Date and the interest of existing Shareholders.

Pending the use of the net proceeds from the Offerings for the purposes described above, and to the extent permitted under the relevant Canadian and Hong Kong laws, the Company intends to deposit such net proceeds in short term interest-bearing accounts with licenced third-party institutions.